



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0254	Title:	Monitor and report on greenhouse gas emissions
Primary Sponsor:	Phillips, Mike	Status:	As Introduced

- | | | |
|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:				
General Fund	\$46,115	\$0	\$0	\$0
State Special Revenue	\$0	\$82,526	\$79,440	\$83,756
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$82,526	\$79,440	\$83,756
Net Impact-General Fund Balance	<u>(\$46,115)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: The development and implementation of a greenhouse gas reporting program in accordance with the provisions contained in HB 254 would necessitate 1.00 FTE for the Air Resources Management Bureau in the Department of Environmental Quality over the 2011 biennium.

FISCAL ANALYSIS

Assumptions:

Department of Environmental Quality (DEQ)

1. Montana is a member of the Western Climate Initiative (WCI) and The Climate Registry (TCR). Accepted WCI and/or TCR rules, reporting thresholds, and reporting and verification protocols would be used to regulate greenhouse gas emissions, establish source applicability, and for the quantification, accounting, recordkeeping, reporting, and verification of greenhouse gas emissions.
2. The proposed greenhouse gas program established by HB 254 would initially require the quantification, accounting, record keeping, reporting, and verification of greenhouse gas emissions from greenhouse gas sources and/or categories of greenhouse gas sources (rule implementation January 1, 2010).
3. The greenhouse gas program would be applicable to approximately 100 facilities. The greenhouse gas program would require the reporting and verification of greenhouse gas emissions from industrial, energy, residential, and transportation facilities as well as a small number of energy suppliers and energy importers.

4. A DEQ proposal to achieve real, permanent, quantifiable, verifiable, and enforceable greenhouse gas emissions reductions, including capping greenhouse gas emissions from sources by year 2020, would be required near the beginning of FY 2011 (August 1, 2010). Development of any new programs resulting from DEQ's proposal would not be completed until after FY 2011.
5. Initiation and implementation of the greenhouse gas program would require relatively significant rule development and related activities in FY 2010 and FY 2011. The initial reporting phase of the greenhouse gas program would consist primarily of compliance staff activities beginning in mid-FY 2011 for calendar year 2010 emissions. Therefore, DEQ would require 0.50 FTE initially for program development that would occur in FY 2010 followed by an additional 0.50 FTE for implementation and maintenance of the program that would occur in FY 2011 for a total of 1.00 FTE to maintain the requirements of the program.

Rule Development and Related Workload = 0.50 FTE for the 2011 biennium legislative budget:

- 0.25 FTE in FY 2010 to develop initial rules for quantification, accounting, recordkeeping, reporting, and verification of greenhouse gas emissions.
- 0.25 FTE in FY 2010 and 0.50 FTE in FY 2011 to develop a proposal and subsequent rules to achieve real, permanent, quantifiable, verifiable, and enforceable reductions in greenhouse gas emissions, including a cap and trade program.
- The required 0.50 rule development FTE would be classified as pay band 7 Environmental Science Specialist.

Compliance Workload = 0.50 FTE for the 2011 biennium legislative budget:

- The greenhouse gas program would be applicable to approximately 100 facilities.
 - 10 hours per source annually to download emission inventory information from WCI/TCR database and conduct associated fee activities as well as conduct general compliance activities: 10 hours x 100 sources = 1,000 hours or approximately 0.5 FTE for FY 2011.
 - The compliance FTE would also assist in the development of a proposal and subsequent rules to achieve real, permanent, quantifiable, verifiable, and enforceable reductions in greenhouse gas emissions, including a cap and trade program.
 - The required 0.50 compliance FTE would be an Environmental Science Specialist.
6. A 2.5% inflation factor is applied for the next biennium.
 7. FY 2010 and FY 2011 operating expenses include office/computer set up for the FTE.
 8. In FY 2010, there will not be any revenue collected to fund the activities required by HB 254. Therefore, expenditures in FY 2010 will be funded by the general fund.
 9. Beginning in FY 2011, state special revenue in a new fee account will be generated commensurate with expenses necessary to operate this program.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.50	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$27,463	\$54,926	\$56,299	\$57,707
Operating Expenses	<u>\$18,652</u>	<u>\$27,600</u>	<u>\$23,141</u>	<u>\$26,029</u>
TOTAL Expenditures	<u><u>\$46,115</u></u>	<u><u>\$82,526</u></u>	<u><u>\$79,440</u></u>	<u><u>\$83,736</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$46,115	\$0	\$0	\$0
State Special Revenue (02)	<u>\$0</u>	<u>\$82,526</u>	<u>\$79,440</u>	<u>\$83,736</u>
TOTAL Funding of Exp.	<u><u>\$46,115</u></u>	<u><u>\$82,526</u></u>	<u><u>\$79,440</u></u>	<u><u>\$83,736</u></u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$0</u>	<u>\$82,526</u>	<u>\$79,440</u>	<u>\$83,736</u>
TOTAL Revenues	<u><u>\$0</u></u>	<u><u>\$82,526</u></u>	<u><u>\$79,440</u></u>	<u><u>\$83,736</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$46,115)	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date



Dedication of Revenue 2011 Biennium

HB0254

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

Yes. The citizens of Montana will benefit by reduced levels of greenhouse gases.

- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

Using an established state special revenue account in FY 2011-2013 to support the needs of the program targets the primary users of the program service instead of attempting to acquire more funding from the general fund which is subject to many competing needs.

- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes.

- d) **Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)**

HB 254 establishes a new fee program to track the fiscal activity of the program.

- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No, it does not change their ability to scrutinize budgets. This state special revenue fund and associated expenditures will be presented in HB 2 in future biennia.

- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Yes. This revenue would be used to make the program effective and timely in meeting its responsibilities.

- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

The Department of Environmental Quality and the Permitting and Compliance Division currently maintain a number of fee programs. If the program/activity were general funded in FYs 2011-2013, DEQ could adequately account for the activity.